

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1215 – SB 1282

March 17, 2015

SUMMARY OF ORIGINAL BILL: Creates a seven-member rural economic development task force and requires it to study the feasibility of authorizing grants, loans, or other economic incentives for new or expanded facilities relocating to rural, economically distressed counties, and to identify the minimum eligibility criteria required for awarding any grant, loan, or other incentive to a new or expanded facility. Establishes that the members of the task force shall serve without compensation and without reimbursement for travel expenses. Requires the Department of Economic and Community Development (ECD) and the Department of Revenue (DOR) to provide assistance to the task force. Requires the task force to report to the Finance Committees of the Senate and House of Representatives by January 1, 2016.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (003933): Deletes all language after the enacting clause. Decreases, from 25 to 15, the number of qualified jobs that a qualified business enterprise must create, if such enterprise is located in a county with a population of 50,000 or less, in order to qualify for the franchise and excise job tax credits.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – \$1,424,000

Assumptions for the bill as amended:

- The Department of Revenue reports that the three-year average standard job tax credit is \$26,984,313, and the three-year average amount of Tier 2 and Tier 3 additional annual job credit is \$7,277,571.
- Approximately 62 percent of the standard job tax credits issued, or \$16,730,274 (\$26,984,313 x 62%), were for enterprises located in counties with a population of 50,000 or less.
- Assuming that 15 percent of the current number of qualified businesses will qualify at the new lower threshold for the standard credit, 75 percent of the new credit will be used

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each year, and the total standard credit amount will be 60 percent of the current standard credit amount, the estimated amount of new standard job tax credit that will be used is assumed to be \$1,129,293 ($\$16,730,274 \times 15\% \times 75\% \times 60\%$).

- Approximately 90 percent of the additional annual tax credits, or \$6,549,814 ($\$7,277,571 \times 90\%$), were issued to enterprises located in counties with a population of 50,000 or less.
- Assuming that 15 percent of the current number of qualified businesses will qualify at the new lower threshold for the standard credit, 50 percent of the new credit will be used each year, and the total standard credit amount will be 60 percent of the current standard credit amount, the estimated amount of new standard job tax credit that will be used is assumed to be \$294,742 ($\$6,549,814 \times 15\% \times 50\% \times 60\%$).
- The total recurring decrease in state revenue is estimated to be \$1,424,035 ($\$1,129,293 + \$294,742$).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Decrease Business Expenditures – \$1,424,000

Assumptions for the bill as amended:

- Business F&E tax liability is anticipated to decrease by \$1,424,000 per year for entities that will qualify for the job tax credit under the proposed legislation as amended and that would create qualified jobs in the absence of this legislation.
- The number of jobs created as a direct result of this bill as amended that would not be created otherwise is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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